PROVINCE OF SASKATCHEWAN

11-12

ANNUAL REPORT

PUBLIC EMPLOYEES
BENEFITS AGENCY
REVOLVING FUND

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twenty-first Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2012.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the twenty-first Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2012.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993.*

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Funds

Public Employees Pension Plan
Public Service Superannuation Plan
Municipal Employees' Pension Plan
Liquor Board Superannuation Plan
Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
Saskatchewan Transportation Company Superannuation Plan
Anti-Tuberculosis League Superannuation Plan
Members of the Legislative Assembly Benefits
Judges of the Provincial Court Superannuation Plan
Saskatchewan Pension Annuity Fund
The Power Corporation Superannuation Plan

Employee Benefit Funds

Public Employees Group Life Insurance Plan
Public Employees Dental Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Public Employees Disability Income Plan
Public Employees Deferred Salary Leave Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Government of Saskatchewan Scheduled Aircraft Plan
SaskPower Supplementary Superannuation Plan
Additional Pension Contribution Program
Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 and Local No. 600-5 Benefit Plans' Surplus Fund
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Saskatchewan Government Insurance Service Recognition Plan
SaskEnergy Retiring Allowance Plan
SaskPower Millennium RRSP
SaskPower Severance Pay Credits Plan
SaskPower Designated Employee Benefit Plan
Saskatchewan Watershed Authority Retirement Allowance Plan
Saskatchewan Water Corporation Retirement Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Ministry of Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at $5,800,000.

Administration Costs

2012	$15,088,549
2011	$14,031,085
2010	$12,587,539
2009	$11,399,939

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2012 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
July 5, 2012

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2012

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Benefits Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net debt, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

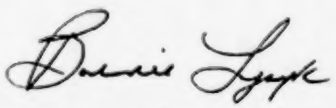
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
July 5, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

Public Employees Benefits Agency Revolving Fund
Statement of Financial Position

Statement 1

As At March 31

	2012	2011
FINANCIAL ASSETS		
Cash	$ 400	$ 400
Accounts receivable (Note 5)	2,712,678	1,995,814
Total Financial Assets	2,713,078	1,996,214
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	1,442,714	1,837,874
Accumulated net expenditure (Statement 4; Note 2b, Note 3)	5,118,996	4,902,908
Total Liabilities	6,561,710	6,740,782
Net Debt (Statement 3)	3,848,632	4,744,568
NON-FINANCIAL ASSETS		
Prepaid expenses	280,515	270,635
Tangible capital assets (Note 4)	3,568,117	4,473,933
Total Non-financial Assets	3,848,632	4,744,568
Accumulated Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Operations

Statement 2

For The Year Ended March 31

	2012		2011
	Budget	Actual	Actual
REVENUE			
Administration fees (Note 5)	$16,279,388	$15,088,549	$14,031,085
EXPENSES: (Note 5)			
Salaries and benefits	7,779,137	7,483,341	6,928,905
Contractual services	4,651,346	4,367,950	3,902,348
Amortization	1,033,966	1,064,139	1,048,849
Rent	991,799	976,992	967,622
Postage and communications	464,583	411,582	431,119
Supplies	487,689	319,036	250,098
Travel	621,876	215,300	253,870
Advertising/printing	214,496	197,345	193,349
Business expenses	14,595	43,234	27,237
Repairs and maintenance	19,901	9,630	27,688
Total expenses	16,279,388	15,088,549	14,031,085
Net income	$ -	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Changes in Net Debt

Statement 3

For The Year Ended March 31

	2012 Budget	2012 Actual	2011 Actual
Net debt, beginning of year	$ 4,744,568	$ 4,744,568	$ 5,217,406
Net income	-	-	-
Acquisition of tangible capital assets (Note 4)	374,000	158,323	509,960
Amortization of tangible capital assets	(1,033,966)	(1,064,139)	(1,048,849)
Loss on disposal of tangible capital assets	-	-	(15,083)
Net acquisition of prepaid expense	-	9,880	81,134
	(659,966)	(895,936)	(472,838)
Net debt, end of year (To Statement 1)	$ 4,084,602	$ 3,848,632	$ 4,744,568

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Changes in Accumulated Net Expenditure

Statement 4

For The Year Ended March 31

	2012	2011
Financing provided (used in) by operating activities:		
Net income	$ -	$ -
Amortization of tangible capital assets	1,064,139	1,048,849
Increase in accounts receivable	(716,865)	(1,276,766)
Increase/(decrease) in accounts payable	(395,159)	254,161
Loss on disposal of tangible capital asset	-	15,083
Petty cash	-	(400)
Increase in prepaid expenses	(9,880)	(81,134)
Net financing used in operating activities	(57,765)	(40,207)
Financing used in investing activities:		
Purchase of tangible capital assets	(158,323)	(509,960)
Net financing used in investing activities	(158,323)	(509,960)
Net increase in financing requirements	(216,088)	(550,167)
Accumulated net expenditure, beginning of year	(4,902,908)	(4,352,741)
Accumulated net expenditure, end of year (To Statement 1)	$(5,118,996)	$(4,902,908)

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Notes to the Financial Statements
March 31, 2012

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following policies are considered significant:

a) **Net Financing Requirements**

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) **Accumulated Net Expenditure (Recovery)**

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

Effective April 1, 2010, the Accumulated Net Expenditure of the Revolving Fund is recorded as a non-financial asset in the General Revenue Fund (GRF) financial statements. This change has minimal impact on the accounting for the Revolving Fund as the net advances for expenditures and recoveries are recorded within the GRF.

c) **Revenue – Administration Fees**

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

Computer hardware and software	5 years
System development and furniture	10 years
Leasehold improvements	over the term of the lease

Work in progress assets include system development and leasehold costs incurred for systems not yet placed into service.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. The amortization of tangible capital assets is subject to such estimates and assumptions. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at $5,800,000 by Order in Council 116/2009.

4. Tangible Capital Assets

	2012							2011
	Computer Hardware	Computer Software	Furniture	System Development	Leaseholds	Work in Progress	Total	Total
Opening Net book value of tangible capital assets	$313,568	$176,374	$95,045	$2,836,681	$ 983,008	$69,257	$ 4,473,933	$ -
Opening costs of tangible capital assets	949,534	593,122	391,548	6,616,268	1,649,343	69,257	10,269,072	9,783,219
Additions during year	7,750	9,889	-	155,488	54,453	(69,257)	158,323	509,960
Disposals during year	-	-	-	-	-	-	-	(24,107)
Closing costs of tangible capital assets	957,284	603,011	391,548	6,771,756	1,703,796	-	10,427,395	10,269,072
Opening accumulated amortization	635,966	416,748	296,503	3,779,587	666,335	-	5,795,139	4,755,313
Annual amortization	126,763	85,206	35,263	591,416	225,491	-	1,064,139	1,048,849
Disposals during year	-	-	-	-	-	-	-	(9,023)
Closing accumulated amortization	762,729	501,954	331,766	4,371,003	891,826	-	6,859,278	5,795,139
Net book value of tangible capital assets	$194,555	$101,057	$59,782	$2,400,753	$811,970	$ -	$3,568,117	$4,473,933

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include $1,325,383 (2011 - $1,274,127) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed by various ministerial appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The Revolving Fund has lease commitments with related parties requiring minimum lease payments of:

2012	$ 1,000,086
2013	1,000,086

The following table summarizes the Revolving Fund's related party transactions.

	2012	2011
Administration fees	$15,088,549	$14,031,085
Expenses:		
Salaries and benefits	1,082,549	980,565
Contractual services	38,209	37,534
Rent	929,293	922,860
Postage and communications	410,960	425,540
Supplies	345	670
Travel	5,206	6,163
Repairs and maintenance	53,725	8,656
Total Related Parties Expenses	$ 2,520,287	$ 2,381,988

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2012	2011
Accounts receivable	$2,712,678	$1,995,814
Accounts payable and accrued liabilities	225,823	273,201

6. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

7. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of PEBA's annual budget was also submitted to Treasury Board.